



Investment Office

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AGENDA ITEM 4a

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. SUBJECT:** Adoption of International Enhanced Index Strategy – Externally Managed (Second Reading)
- II. PROGRAM:** Global Equity
- III. RECOMMENDATION:** Approve the reading and recommend to the Investment Committee approval of the Statement of Investment Policy for International Enhanced Index Strategy – Externally Managed Investment Policy
- IV. ANALYSIS:**

This item presents the second reading of a new Global Equity Investment Policy. Staff incorporated comments from Wilshire Associates prior to the first reading. At the request of the subcommittee, staff has solicited and received comments from CalPERS' three international enhanced indexing managers and these are shown below.

Manager Comment	Staff Recommendation
"We have reviewed the document you've attached and have no suggested changes."	N/A
"As we cannot guarantee performance, the words "seek to" should be included after "The Program shall use an appropriate international large capitalization core equity index for a benchmark and shall..." Second, why include a minimum tracking error as it may vary after combining all managers?"	Staff recommends no changes. The performance objective in the policy refers to the program and not individual managers. Policy must define risk and return parameters.
"We are fine with the below Policy, however (we would like to) confirm that the parameters highlighted in Section IV. Performance Objective are for CalPERS' entire allocation to the International Enhanced Index Strategy and are not reflective of the individual managers objectives. For example, (the manager) has indicated a 1.00% tracking error versus the Policy which lists a 2.00% to 2.50% tracking error."	Staff recommends no changes. The performance objective in the policy refers to the program and not individual managers. Policy must define risk and return parameters.

Staff believes no changes to the policy are necessitated by the manager comments and Wilshire concurs.

V. STRATEGIC PLAN:

This item is consistent with the Strategic Plan, Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COST:

No costs are associated with this item.

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